WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN

BRITISH COLUMBIA

2003 ANNUAL REPORT

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Workers' Compensation Board Superannuation Plan

2003

Annual Report

April 1, 2002 to March 31, 2003

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Canadian Cataloguing in Publication Data

Main entry under title:
Workers' Compensation Board superannuation plan annual report.
– [1997]-
Annual.
Title from cover.
At head of title: British Columbia.
Running title: WCB superannuation plan annual report.
Imprint varies: 1997–1999, Superannuation Commission; 2000–
British Columbia Pension Corporation.
ISSN 1480-5324 = Workers' Compensation Board superannuation plan annual report
1. Workers' Compensation Board of British Columbia – Officials and employees – Pensions – Periodicals. 2. British Columbia – Officials and Employees – Pensions – Periodicals. I. Workers' Compensation Board of British Columbia. II. British Columbia Superannuation Commission. III. British Columbia Pension Corporation. IV. Title: British Columbia Workers' Compensation Board superannuation plan annual report.
V. Title: WCB superannuation plan annual report.
HD7103.65.C32B74 331.25'2913569'09711 C98-960026-2

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Message from the Trustees

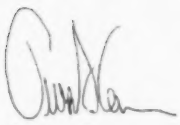
We are pleased to provide you with the Workers' Compensation Board (WCB) Superannuation Plan Annual Report for the fiscal year ending March 31, 2003. On behalf of the plan's trustees, we would like to welcome all new members to the plan.

Currently there are about 2,750 active plan members and 800 retired plan members. This year over 60 new pensions commenced.

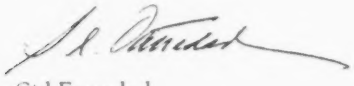
The WCB Superannuation Plan is financially sound. Every three years, an independent actuary assesses the plan's financial health and the adequacy of contribution rates for funding the plan. The most recent actuarial valuation viewed the plan as at March 31, 2000, and showed a net actuarial surplus of $108 million. The size of the actuarial surplus was such that the employer was precluded by income tax regulations from contributing any further funds to the plan. As a result, employer basic contributions were fully suspended effective December 2000. Employees continued to enjoy a 50% contribution holiday that started on January 1, 1999. These contribution holidays reduced the plan surplus. When the negative effects of financial markets over the past three years were factored into the equation, the trustees decided to recommend to the employer that the pension contribution holidays should be discontinued effective December 31, 2002. It is estimated that the plan remains in a fully funded position. The next actuarial valuation is scheduled for March 31, 2003.

The Pension Corporation continued to provide benefit administration services as an agent of the board.

Your trustees are committed to maintaining our record of prudent oversight of the pension fund's financial health and the high standards of performance and service to our members.



Owen Carr



Sid Fattedad

Trustees as at March 31, 2003

Plan Member Representative
Owen Carr

Workers' Compensation Board Representative
Sid Fattedad

The WCB Superannuation Plan

The WCB Superannuation Plan is a contributory defined benefit pension plan. Benefits are based on the member's highest five years of salary, length of service and age at retirement. The plan provides entitlement to a pension benefit after two years of contributory service. The plan also provides survivor and disability benefits. Indexing benefits are not guaranteed, and the ability to continue to provide these benefits is monitored on an ongoing basis.

The British Columbia Pension Corporation provides benefit administration services for the plan.

Communications

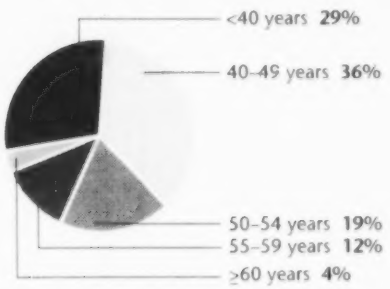
Communicating with plan members is a priority of the trustees. The Pension Corporation continues to work on new communications materials to ensure all plan information is easily understood, accurate and up-to-date. *Pensionfacts*—a series of plan member fact sheets—are regularly published.

Financial and Operational Highlights

Investments as at March 31, 2003

	2003	2002
Market Value ($ Millions)	$546.9	$610.0
Basic Account Rates of Return		
Annual	(9.4)%	4.1%
Five-year Average	2.2%	8.6%
Annual Rates of Return Performance Benchmark	(10.2)%	4.2%

2003 Age Profile of Active Members



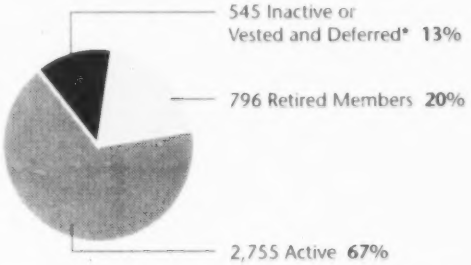
Latest Actuarial Valuation as at March 31, 2000

$ Millions

	Basic Pension Benefits	
	2000	1997
Actuarial Net Assets	524	305
Actuarial Liabilities	416	252
Net Actuarial Surplus	108	53

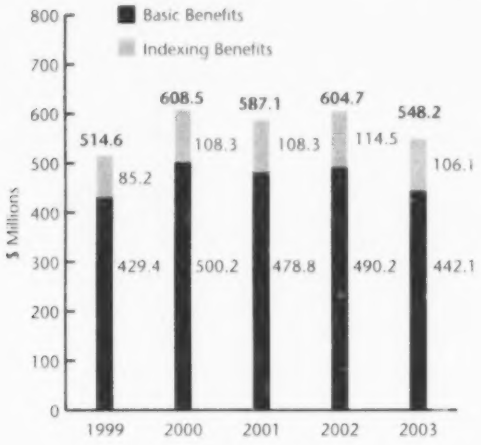
The next valuation will be as at March 31, 2003, with results included in the 2004 annual report.

2003 Membership Profile



* Members no longer employed, but with money in the plan.

Net Assets Available for Benefits as at March 31, 1999–2003



Five-year Summary Statement of Changes in Net Assets Available for Benefits (Unaudited)

$ Thousands

For the year ended March 31	2003	2002	2001	2000	1999
(Decrease) Increase in Assets					
Net Investment (Loss) Income	**(54,688)**	23,662	(17,335)	93,400	14,814
Contributions					
Members'	**7,009**	5,846	5,538	5,157	4,760
Employer	**3,527**	1,155	4,422	6,432	4,183
Transfers from Other Plans	**5,693**	2,048	684	27	0
Total (Decrease) Increase in Assets	**(38,459)**	32,711	**(6,691)**	**105,016**	**23,757**
Decrease in Assets					
Pension Benefits	**12,922**	12,182	11,402	10,043	8,503
Termination Benefits	**3,710**	2,146	2,746	738	1,854
Transfers to Other Plans	**1,120**	520	187	55	0
Administration Costs	**300**	297	346	297	302
Total Decrease in Assets	**18,052**	15,145	**14,681**	**11,133**	**10,659**
(Decrease) Increase in Net Assets	**(56,511)**	17,566	(21,372)	93,883	13,098
Net Assets Available for Benefits at Beginning of Year	**604,663**	587,097	608,469	514,586	501,488
Net Assets Available for Benefits at End of Year	**$548,152**	$604,663	$587,097	$608,469	$514,586

Plan Governance

The **Workers' Compensation Board** is responsible for the management of the pension plan, including investment of the assets and administration of the pension plan. The WCB appoints plan trustees. Currently there are two trustees; one representing the WCB as the employer and one representing plan members.

The **British Columbia Investment Management Corporation** provides investment management services to the plan within approved investment policies.

The **British Columbia Pension Corporation** provides benefit administration services to the pension plan.

Investments

Message from the Chief Investment Officer

Market Review

The first three years of the 21st century are ones that investors, and their investment managers, would likely prefer to forget. The U.S. stock market had its third consecutive yearly decline, providing the worst returns in more than 70 years.

With the benefit of hindsight, it is obvious that the pendulum swung too far during the bull market of the 1990s. Fuelled by "irrational exuberance" and overly optimistic earnings forecasts from companies and security analysts, investors were willing to pay exorbitant prices for shares in technology companies. With the bursting of the equity bubble, the pendulum appears to have swung too far in the other direction, with many investors becoming very pessimistic and risk averse. The only positives for long-term investors are that the correction has taken many of the excesses out of the market and shares of some well-performing companies can now be purchased at more reasonable prices.

An important factor underlying the current weakness of stock markets has been the erosion of confidence following the terrorist attack on September 11, and the collapse of Enron, WorldCom, and several other household names. Fraudulent accounting, lax auditing, and dereliction of duty by boards of directors and senior management have undermined the confidence of many investors in the integrity of financial markets and corporate leadership. This has also reinforced the importance of shareholders and institutional investors taking a more active role in the governance of corporations.

While equity markets were exceptionally weak in fiscal 2003, government bonds and real estate fared much better as investors looked to more conservative investments to protect their capital. Unfortunately, it is difficult if not impossible to anticipate shocks to the financial system such as September 11, the ensuing corporate scandals, or the war with Iraq. Therefore, we believe that it is important for pension fiduciaries to maintain a well-diversified investment portfolio and follow a disciplined approach to managing their plan's asset mix. In addition, if investors are overly pessimistic at present, future returns from stocks could be stronger than expected.

The corporate and geopolitical turbulence meant it was another disappointing year in terms of equity returns. In Canadian dollar terms, the S&P 500 index decreased 30.6% for the year and the TSX index (Canadian stocks) was down 17.6%. However, because of diversification, the Workers' Compensation Board Superannuation Plan fared better than the equity markets. Specifically, the Basic Account recorded a return of -9.4% for the year. This exceeded the plan's market benchmark, which declined 10.2% in 2002/03. However, outperforming the market provides little solace when equity markets are so weak and overall returns are negative.

The most important issue for pension plans is their long-term results and, on a nine-year basis, the annualized return of the Basic Account is still 7.5%. While recent equity returns have been disappointing, stocks will generate higher returns than bonds over the long-term. In addition, at prevailing interest rates, fixed income securities will not generate sufficient return to meet the plan's actuarial targets. Therefore, I continue to believe that the plan will benefit from holding a balanced portfolio and using a disciplined approach to managing the asset mix.

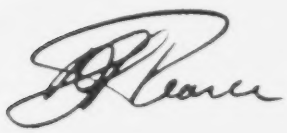
Organization Review

The British Columbia Investment Management Corporation (bcIMC) is an independent organization and is governed by a consortium of our clients. Our management board consists of seven directors, including a representative of the Workers' Compensation Board. However, in terms of investment activity, we are an agent of the Workers' Compensation Board Superannuation Plan and are directly accountable to the trustees for their fund's performance. In fact, bcIMC sees itself as the plan's internal investment staff.

During 2002, bcIMC improved service to clients with an enhanced website at **www.bcimc.com**. This provides clients and plan members with easy and convenient access to information about the corporation and our approach to managing trust funds.

A key focus for the corporation over the past year has been improving corporate governance. In 2002, bcIMC revised its proxy voting guidelines and began voting proxies for all of our clients' U.S. equity holdings—just as we have been voting Canadian proxies for several years. This year we have started to vote our top 200 non-North American equity holdings—representing about 75% of all such holdings by market weight. I believe that the events of the past year underline the importance of institutional investors exercising this key fiduciary responsibility.

On behalf of all the staff at bcIMC, I would like to say that we appreciate working with the trustees in serving the members of the Workers' Compensation Board Superannuation Plan.



Doug Pearce
Chief Investment Officer/Chief Executive Officer
British Columbia Investment Management Corporation

Investments

One of the major fiduciary roles of the trustees is the responsibility for overseeing the investment of approximately $548 million in assets for the long-term benefit of the plan and its members. The most important issue for any pension plan is long-term results, and the goal is to achieve consistent and steady performance over the longer term based on a disciplined approach and prudent decision-making.

The trustees approve the long-term asset mix policy for the investment assets and oversee the management of those assets through the plan's investment management agent, the British Columbia Investment Management Corporation (bcIMC).

Diversification of investments is a key principle in the approved asset policy. Investments are held in a range of asset types (e.g., bonds, equities, real estate, etc.), industry sectors, and global markets.

Despite some good news in 2003—returns for the plan on government bonds and real estate were strong—equity markets provided disappointing results for a second year. The Toronto Stock Exchange Index (Canadian stocks) declined 17.6 % in 2002–2003, and in Canadian dollar terms, the Standard & Poor's 500 Index (U.S. stocks) declined 30.6%. These trends are reflected in the returns on the equity investments of the pension fund.

Overall for the year, the Basic Account recorded a -9.4% annual return on its investment portfolio, modestly outperforming its benchmark based on market indices of -10.2%. On a five-year basis the return for the plan's Basic Account was 2.2%.

In the short term, market expectations remain uncertain. While investment returns during the past three years have been disappointing, the trustees are confident that performance will improve over the long term. The trustees will continue in their approach to optimize returns, based on following sound money management principles and strategic asset allocation.

Approved Basic Account Investment Asset Mix

The WCB Superannuation Plan holds a diversified portfolio of debt and equity investments. Diversification of assets and investment styles is an important component of investment strategy for the fund because it decreases investment risk.

The trustees approved the asset mix range in the accompanying table. Targets for strategic and short-term allocation of assets must fall within the approved asset mix. For purposes of the asset mix, short-term includes Canadian government bonds with one- to five-year terms and money market securities.

Approved Basic Account Investment Asset Mix

	Market Value	
Asset Class	**Lower Limit (%)**	**Upper Limit (%)**
Debt	**25**	**45**
Short-term	0	10
Bonds	20	40
Mortgages	0	10
Equity	**55**	**75**
Canadian Equities	10	30
U.S. Equities	5	20
International Equities	10	25
Real Estate	0	12
Private Placements	0	6

Investment Portfolio

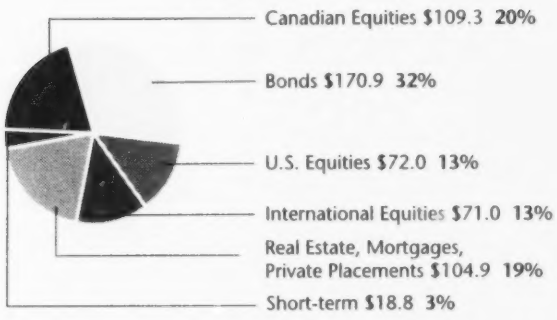
Investments Held as at March 31, 2003

	Market Value ($ Thousands)	Asset Mix Market Value (%)
Money Market	7,923	1
Canadian Bonds		
Government	125,323	23
Corporate	26,182	5
Short-term	10,851	2
Canadian Equities		
Indexed	80,703	15
Actively Managed	28,546	5
U.S. Equities		
Indexed	52,150	9
Actively Managed	19,843	4
International Equities		
Asia	12,512	2
Europe	21,564	4
Europe, Australia and the Far East	36,857	7
Foreign Currency	102	0
Real Estate	64,556	12
Mortgages	23,553	4
Private Placements	16,762	3
Total Pooled Portfolios	**$527,427**	**96%**
Canadian Real Return Bonds	19,438	4
Total Investments	**$546,865**	**100%**
2002 Comparison	609,993	

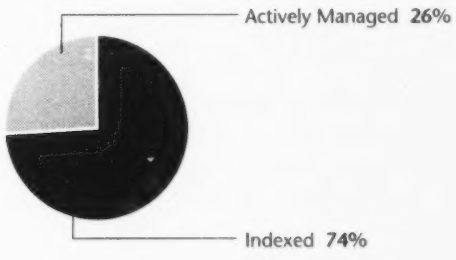
For further information on the investment portfolio, visit the bcIMC website at **www.bcimc.com**.

2003 Investment Holdings (Market Value)

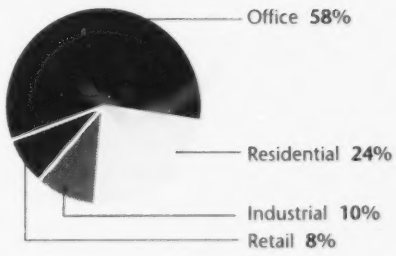
$ Millions


Canadian Equities $109.3 20%
Bonds $170.9 32%
U.S. Equities $72.0 13%
International Equities $71.0 13%
Real Estate, Mortgages, Private Placements $104.9 19%
Short-term $18.8 3%

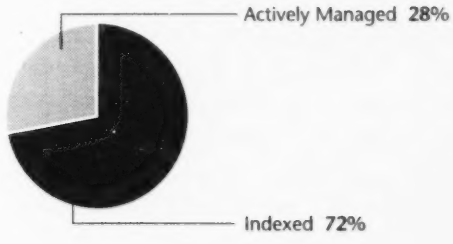
Canadian Equities (Market Value)



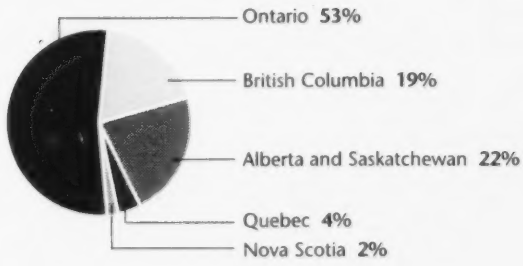
Real Estate, by Type



U.S. Equities (Market Value)

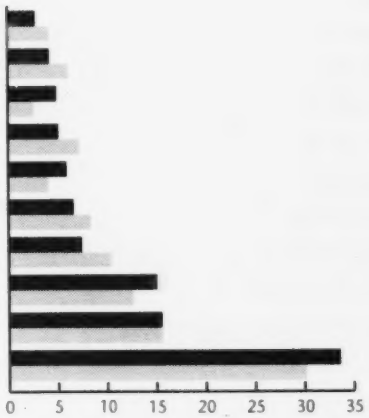


Real Estate, by Location



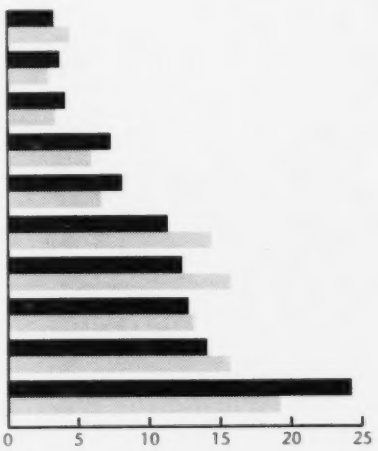
Canadian Equities, by Sector

	Indexed (%)	Actively Managed (%)
Health Care	2.7	4.1
Consumer Staples	4.1	6.0
Utilities	4.8	2.5
Information Technology	5.0	7.1
Telecommunications	5.8	3.9
Industrial Products	6.5	8.2
Consumer Discretionary	7.3	10.3
Materials	14.9	12.5
Energy	15.4	15.4
Financial Services	33.5	30.0
	100%	100%

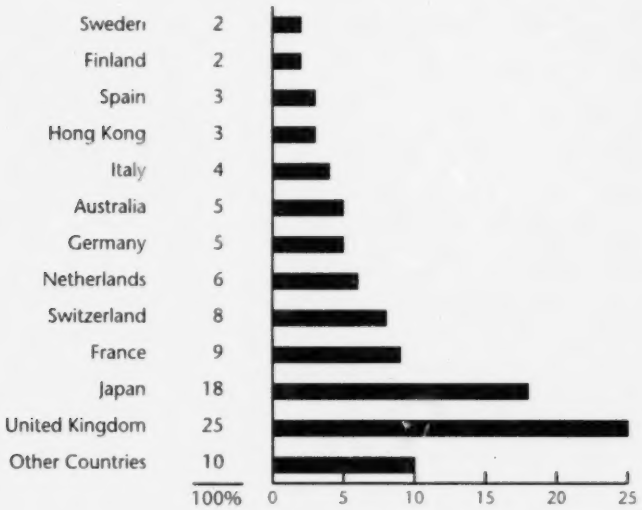


U.S. Equities, by Sector

	Indexed (%)	Actively Managed (%)
Materials	3.2	4.3
Utilities	3.6	2.8
Telecommunications	4.0	3.3
Consumer Staples	7.2	5.8
Energy	8.0	6.5
Industrials	11.2	14.2
Health Care	12.2	15.6
Information Technology	12.6	13.0
Consumer Discretionary	13.9	15.5
Financial Services	24.1	19.0
	100%	100%



International Equities (Market Value)



Investment Performance

Net Earned Rate of the Fund

Year	%
1999	12.0
2000	13.8
2001	10.9
2002	8.6
2003	**2.2**

Rates of return are based on a five-year average.

Canadian Equities
Top 10 Holdings

Company	Market Value ($ Thousands)	% of Total
Royal Bank of Canada	$ 6,098	5.6%
Bank of Nova Scotia	4,893	4.5%
Encana Corporation	4,114	3.8%
BCE Inc	3,930	3.6%
Toronto Dominion Bank	3,839	3.5%
Bank of Montreal	3,218	2.9%
Canadian Imperial Bank of Commerce	3,209	2.9%
Manulife Financial	2,984	2.7%
Sun Life Financial	2,503	2.3%
Alcan Inc	2,496	2.3%
Total Top Ten	**$ 37,284**	**34.1%**
Total Canadian Equities	**$109,249**	

U.S. Equities
Top 10 Holdings

Company	Market Value ($ Thousands)	% of Total
Exxon Mobil Corp	$ 1,868	2.6%
Citigroup Inc	1,709	2.4%
Microsoft Corp	1,411	2.0%
General Electric	1,234	1.7%
Pfizer Inc	1,176	1.6%
Amern Intl Group	1,148	1.6%
Wal-Mart Stores	1,081	1.5%
Bank of America	1,003	1.4%
Johnson & Johnson	930	1.3%
Comcast Corp	717	1.0%
Total Top Ten	**$ 12,277**	**17.1%**
Total U.S. Equities	**$ 71,993**	

International Equities
Top 10 Holdings

Company	Market Value ($ Thousands)	% of Total
Vodafone Group	$ 1,922	2.7%
BP	1,546	2.2%
Novartis AC	1,458	2.1%
Glaxosmithkline	1,347	1.9%
Total Fina Elf	1,345	1.9%
Nestle SA	1,178	1.7%
Nokia OYJ	1,073	1.5%
HSBC Holdings	1,065	1.5%
Royal Bank Scot GR	1,053	1.5%
ENI	942	1.3%
Total Top Ten	**$ 12,929**	**18.3%**
Total International Equities	**$ 70,934**	

Market Value Rates of Return for the Year Ended March 31, 2003

	Basic Account (%)	Inflation Adjustment Account (%)	Basic Account Performance Benchmarks (%)	
Five-year Average Rates				
2003	**2.2**	**2.7**	**1.9**	
2002 Comparison	8.6	8.7	8.6	
Annual Rates				
2003	**-9.4**	**-7.8**	**-10.2**	
2002 Comparison	4.1	4.0	4.2	
2003 Annual Rates by Investment Category			**2003 Performance Benchmark Indices**	
Short-term				
Money Markets	2.8%	2.9%	2.7%	SCI 91-Day Treasury Bills
Bonds	6.8%	6.8%	6.9%	SCI All Government Short-term
Bonds				
Government	9.5%	9.5%	9.5%	SCI All Government Universe
Corporate	9.0%	9.0%	8.2%	SCI All Corporate Universe
Long-term	12.3%	12.3%	12.1%	SCI All Government Long-term
Real Return	–	19.5%	20.0%	SCI Real Return Bond
Canadian Equities				
Actively Managed	-16.3%	-16.3%	-17.6%	Active Canadian Benchmark
Indexed	-17.0%	-17.0%	-17.6%	S&P/TSX
U.S. Equities				
Actively Managed	-30.9%	-30.9%	-30.4%	R 1000
Indexed	-30.6%	-30.6%	-30.6%	S&P 500
U.S. Value	-31.1%	-31.1%	-31.9%	S&P 500 Value
U.S. Enhanced	-30.5%	-30.5%	-30.4%	R 1000
International Equities				
Asia	-24.5%	-24.5%	-22.4%	MSCI Pacific Net
Europe	-32.5%	-32.5%	-31.3%	MSCI Europe Net
Europe, Australia and the Far East	-28.6%	-28.6%	-28.9%	MSCI Europe, Australia, Far East Net
Real Estate	5.9%	5.9%	8.3%	CPI + 4%
Mortgages				
Fixed-term	9.7%	9.7%	8.0%	SCI Short-term Bonds + 1%
Construction	6.0%	6.0%	4.6%	SCI One-year Bill + 1%
Specialty	9.2%	9.2%	6.2%	SCI One-year Bill + 2.5%

Performance Benchmark Indices Abbreviations

CPI	=	Consumer Price Index
SCI	=	Scotia Capital Inc.
S&P	=	Standard & Poor's
MSCI	=	Morgan Stanley Capital International
MSCI EAFE	=	Morgan Stanley Capital International Europe, Australia & Far East
R	=	Russell
S&P/TSX	=	Standard & Poor's/Toronto Stock Exchange Composite

(Source of annual rates: British Columbia Investment Management Corporation)

Actuarial Valuation/Plan Funding

Active plan members and the employer both contribute to the plan. At least every three years, an independent actuary assesses the adequacy of the contribution rates for funding the pension plan. The latest valuation examined the plan as at March 31, 2000, and disclosed an actuarial surplus of $108 million. The next valuation will be as at March 31, 2003, with results included in the 2004 annual report.

Latest Actuarial Valuation as at March 31, 2000
$ Millions

	Basic Pension Benefits	
	2000	1997
Actuarial Net Assets	524	305
Actuarial Liabilities	416	252
Net Actuarial Surplus	108	53

The next valuation will be as at March 31, 2003, with results included in the 2004 annual report.

Plan Benefits

The WCB Superannuation Plan is a contributory defined benefit pension plan. Benefits are based on the member's highest five years of salary, length of service and age at retirement. The plan provides entitlement to a pension benefit after two years of contributory service. The plan also provides survivor and disability benefits. Indexing benefits are not guaranteed, and the ability to continue to provide these benefits is monitored on an ongoing basis.

Pensions

The number of retired members continues to grow with the aging of the membership. The number of retired members receiving a pension increased 7% from 2002 to 2003.

Pensions are paid at the end of each month, beginning with whichever of the following comes latest:

- the month following the month in which the plan member becomes eligible;
- the month following the month in which the plan member receives the final salary payment; or
- the month in which the Pension Corporation receives the member's application.

The plan pays a full month's pension for the month in which a retired member dies.

The table below shows the average asset value ("present value") of pensions granted during 2002–2003. The asset value represents the approximate cost of purchasing an average pension provided under the WCB Superannuation Plan.

Average Value of Regular Pensions Granted April 1, 2002 to March 31, 2003
Subdivided by years of service

Years of Service *	Number of Pensions Granted	Average Annual Salary Base	Average Annual Pension	Average Present Value of Pensions	Total Present Value of Pensions ($ Millions)
<10 yrs	8	57,063	4,883	69,715	.6
10–14	8	54,081	10,092	154,214	1.2
15–19	3	55,385	13,745	204,710	.6
20-24	13	64,915	21,979	319,479	4.2
25–29	12	59,757	24,151	345,151	4.1
30–34	6	88,441	42,375	615,032	3.7
35	4	69,919	38,758	623,611	2.5
Total	**54**	**n/a**	**n/a**	**n/a**	**16.9**
All Pension Average	n/a	64,000	21,000	313,000	n/a

* Years of service includes service transferred from other plans.

Pensions 1999–2003

	Granted during Year	Pension Terminations	In Force at End of Year	Basic Pensions Paid ($ Millions)	Inflation Supplements Paid ($ Millions)	Total ($ Millions)
1999	47	17	626	6.9	1.6	8.5
2000	89	12	703	8.3	1.6	10.0
2001	36	15	724	9.5	1.9	11.4
2002	37	16	745	10.1	2.1	12.2
2003	**63**	**12**	**796**	**10.6**	**2 3**	**12.9**

Pensions Granted, by Type 1999–2003

	Regular*	Death*	Disability+	Deferred	Total
1999	38	1	5	3	47
2000	76	4	5	4	89
2001	27	–	4	5	36
2002	28	–	5	4	37
2003	**54**	–	**1**	**8**	**63**

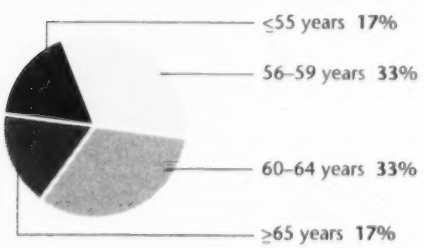
* Pensions granted do not include any pension continued to a beneficiary upon the death of a retired member.
\+ Includes members on long-term disability who became eligible for a regular pension.
Note: 29 pensions estimated and paid in 2000 were finalized completely in 2001.
These pensions are included in 2000 in the above tables.

2003 Regular Pensions, Age at Retirement

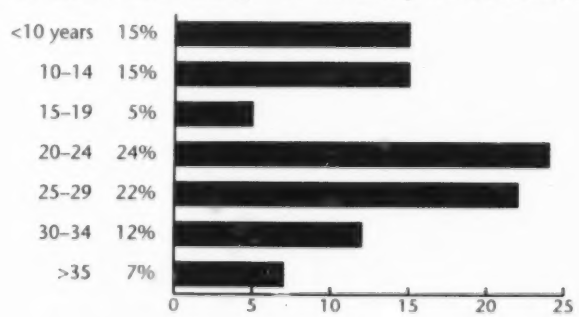
Subdivided by years of service and age at retirement

Years of Service	55	56–59	60–64	65+	Total
<10 yrs	2	3	3	–	8
10–14	1	4	3	–	8
15–19	1	1	1	–	3
20–24	1	4	4	4	13
25–29	–	3	5	4	12
30–34	3	1	1	1	6
>35	1	2	1	–	4
Total	**9**	**18**	**18**	**9**	**54**

Percentage of 2003 Regular Pensions Granted by Age – Normal Retirement Age 65



Percentage of 2003 Regular Pensions by Years of Service



Termination Benefits

A terminating member may be eligible for one or more of the following benefits:

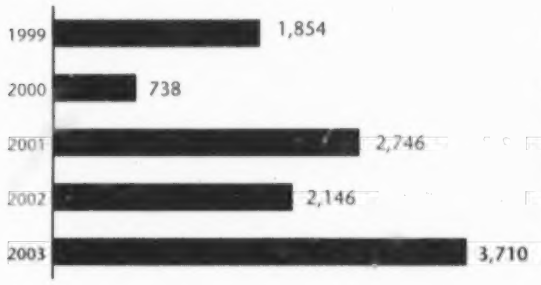
- a refund of contributions with interest;
- a transfer of the commuted value of the pension benefit to a locked-in registered retirement savings plan or a registered pension plan; or
- a deferred pension.

After January 1, 1998, a terminating member with two or more years of service can claim vested, locked-in benefits in the form of a transfer of the commuted value or a deferred pension.

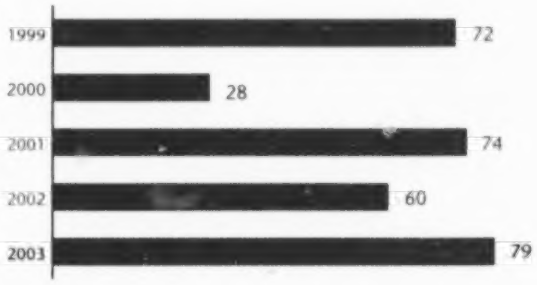
The number of termination benefits paid can vary from year to year. In 2003 the total value of termination benefits increased as a result of an increase in the total number of benefits paid.

If a non-vested member leaves the plan and takes a refund of contributions, the refund includes interest. Interest compounds annually and is credited to the member's contribution balance. The balance, including interest, is included in the annual Member's Benefit Statement.

Value of Termination Benefits Paid
$ Thousands



Number of Termination Benefits Paid



Termination benefits paid include only refunds of contributions and commuted-value payments; deferred pensions are included in pension statistics.

Annual Rates for Interest Credited to Contribution Balances

Year	%
1998/99	11.25
1999/00	12.50
2000/01	12.00
2001/02	13.75
2002/03	**10.90**

Portability Provisions

Portability allows a member of a pension plan to transfer pension rights and contributions to another plan. For instance, members of the WCB Superannuation Plan may transfer their years of pensionable service and plan contributions to a new plan at a different place of employment if the WCB has a portability agreement with the new plan. Employers who allow transfers of pension rights to other employers or pension plans are referred to as "reciprocal employers." Members of the WCB Superannuation Plan who have made contributions to another pension plan should inquire about portability agreements.

In 2003, the plan received 80 reciprocal transfers-in for approximately $5,693,000 and paid 23 transfers-out for approximately $1,120,000.

Purchase of Additional Service

It may be possible for plan members to purchase additional service. This may include:

- approved leaves of absence (maternity, parental or other leave);
- arrears contributions (not enrolled but eligible to buy back missed contributions);
- other service (employment service before becoming a regular contributor); or
- reinstatements (contributions previously refunded from the plan).

Member and Employer Purchases of Additional Service

	Number of Purchases		Value of Purchases $ Thousands	
	2003	2002	**2003**	2002
Leaves of Absence	**203**	5	**375**	15
Arrears Contributions	**31**	7	**130**	29
Other Service	**1**	–	**3**	–
Reinstatements	**12**	5	**323**	88
Total	**247**	17	**831**	132

Plan Members

Members and Contributions

Currently there are about 2,755 active members and 800 retired members in the WCB Superannuation Plan.

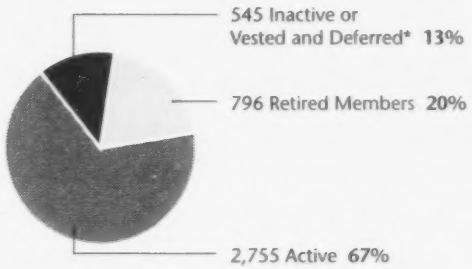
There are four types of members in the WCB Superannuation Plan.

- Active—those who are currently contributing to, or are receiving benefits from an approved salary continuance plan or are on a leave of absence.
- Inactive—those who are no longer employed but who have contribution balances on record and are not eligible for a pension in the future.
- Vested and deferred—those who are no longer employed and are eligible for a future pension.
- Retired—those who are receiving a pension.

Number of Contributors

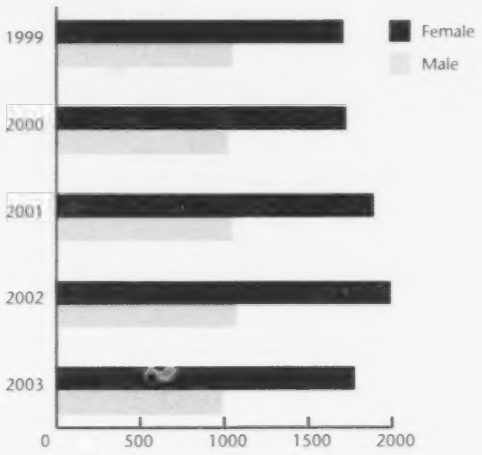
	Active	Inactive	Vested and Deferred	Retired	Total
1999	2,745	119	162	626	3,652
2000	2,814	86	235	703	3,838
2001	2,925	71	254	724	3,974
2002	3,052	79	270	745	4,146
2003	**2,755**	**99**	**446**	**796**	**4,096**

2003 Membership Profile

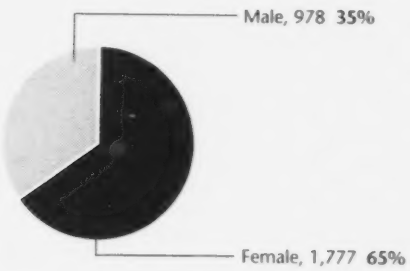


* Members no longer employed, but with money in the plan.

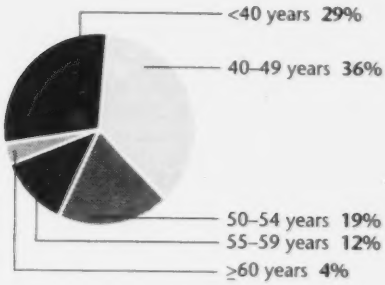
Active Members



2003 Active Member Profile

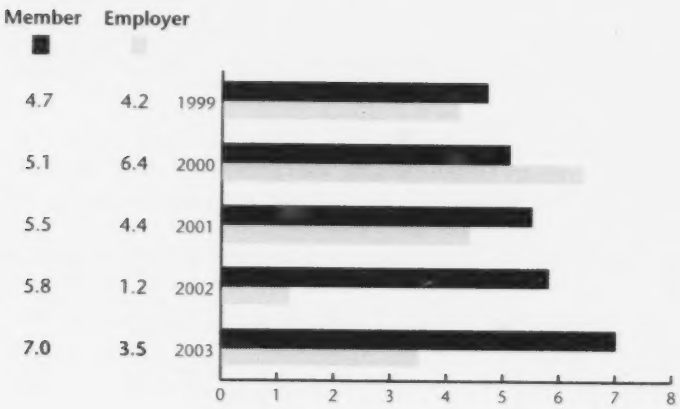


2003 Age Profile of Active Members



Contributions

$ Millions



PENSION
CORPORATION

Executive
Offices

Mailing Address:
PO Box 9460
Stn Prov Govt
Victoria BC
V8W 9V8

Location:
2995 Jutland Road
Victoria BC
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Phone:
250-387-8201
1-800-663-8823
Fax:
250-387-4199

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN

ADMINISTRATIVE AGENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Workers' Compensation Board Superannuation Plan were prepared by the British Columbia Pension Corporation, the administrative agent for the pension plan. The Corporation prepares the financial statements in accordance with generally accepted accounting principles and is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Annual Report for the pension plan conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, the Corporation maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The firm of Eckler Partners Ltd. has been appointed the independent consulting actuary to the Plan. The role of the actuary is to complete an actuarial valuation of the Plan in accordance with accepted actuarial practice; the results of the valuation are included in the financial statements.

The firm of KPMG LLP has been appointed the independent auditor to the Plan. The role of the auditor is to perform an independent audit of the financial statements of the pension plan in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the Auditors' Report attached to these financial statements.

P. LOUISE YOUNG, CA,
Vice-President, Corporate Services,
British Columbia Pension Corporation

SANDRA LENZ, CA,
Director, Finance,
British Columbia Pension Corporation

July 11, 2003

KPMG LLP
Chartered Accountants
St. Andrew's Square II
800 - 730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Telefax (250) 480-3539
www.kpmg.ca

AUDITORS' REPORT

To the Members of the Workers' Compensation Board Superannuation Plan

We have audited the statement of net assets available for benefits of the Workers' Compensation Board Superannuation Plan as at March 31, 2003 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's administrator. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the Plan's net assets available for benefits as at March 31, 2003 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Victoria, Canada
July 11, 2003

KPMG LLP, a Canadian limited liability partnership is the Canadian member of KPMG International, a Swiss nonoperating association.

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

March 31	2003	2002
ASSETS		
Investments (Note 3)	$ 546,865	$ 609,993
Receivables		
Due from sale of investments	15,005	4,900
Members' contributions	655	604
Employer's contributions	680	532
Accrued investment income	229	211
Other	-	4
	16,569	6,251
Cash	21	3
Total Assets	563,455	616,247
LIABILITIES		
Accounts payable and accrued expenses	1,060	834
Payable for purchase of investments	14,243	10,750
Total Liabilities	15,303	11,584
NET ASSETS AVAILABLE FOR BENEFITS	$ 548,152	$ 604,663

Obligations for Pension Benefits (Note 7)
Commitments (Note 10)

All accompanying notes are an integral part of these financial statements.

Sid Fattedad
Workers' Compensation Board of British Columbia
Trustee

Owen Carr
Workers' Compensation Board of British Columbia
Trustee

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

For the year ended March 31	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Totals 2003	2002
(DECREASE) INCREASE IN ASSETS					
Net investment (loss) income (Note 4)	$ (45,900)	$ (8,788)	$ -	$ (54,688)	$ 23,662
Contributions (Note 5)					
Members'	5,304	1,705	-	7,009	5,846
Employer	1,775	1,676	76	3,527	1,155
	7,079	3,381	76	10,536	7,001
Transfers from other plans	4,361	1,332	-	5,693	2,048
Total (Decrease) Increase in Assets	(34,460)	(4,075)	76	(38,459)	32,711
DECREASE IN ASSETS					
Pension benefits					
Contributory	10,554	-	57	10,611	10,085
Indexing supplements	2,311	-	-	2,311	2,097
	12,865	-	57	12,922	12,182
Termination benefits	2,417	1,274	19	3,710	2,146
Transfers to other plans	832	288	-	1,120	520
Administration costs (Note 8)	300	-	-	300	297
Total Decrease in Assets	16,414	1,562	76	18,052	15,145
(DECREASE) INCREASE IN NET ASSETS BEFORE TRANSFERS	(50,874)	(5,637)	-	(56,511)	17,566
Account transfers (Note 6)	2,737	(2,737)	-	-	-
(DECREASE) INCREASE IN NET ASSETS	(48,137)	(8,374)	-	(56,511)	17,566
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	490,217	114,446	-	604,663	587,097
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 442,080	$ 106,072	$ -	$ 548,152	$ 604,663

Supplemental Benefits Account (Note 9)

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2003

1. DESCRIPTION OF THE WCB SUPERANNUATION PLAN

The following brief description of the Workers' Compensation Board Superannuation Plan (the plan) is provided for general information only. For more information refer to the plan document.

a) General

The plan is a contributory defined benefit pension plan open to all eligible employees and members of the Workers' Compensation Board (WCB).

b) Roles and Responsibilities

The Workers' Compensation Board (WCB)
The Workers' Compensation Board is responsible for the management of the pension plan, including investment of the assets and administration of the pension plan. The WCB appoints plan trustees, and currently there are two trustees, one representing the WCB as the employer and one representing plan members.

British Columbia Investment Management Corporation (bcIMC)
The bcIMC provides investment management services to the plan, within approved investment policies.

The British Columbia Pension Corporation (Pension Corporation)
The Pension Corporation is the provider of benefit administration services to the plan.

c) Contributions

Basic Account
As a result of the 50% contribution holiday for members, which was implemented in 1999 and extended to December 31, 2002, member contributions to the Basic Account were 2.25% of salaries up to the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) ($39,100 in 2002) and 3% of salaries above that. Effective January 1, 2003, member contributions are 4.5% of salaries up to the YMPE ($39,900 in 2003) and 6% of salaries above that.

The employer matched member contributions until December 2000, at which time employer contributions were fully suspended until December 31, 2002. The suspension occurred because the March 31, 2000 actuarial valuation surplus exceeded the limit permitted by the *Income Tax Act* (Canada). Effective January 1, 2003, the employer matches member contributions, less amounts allocated to the Supplemental Benefits Account (see Notes 5 and 9).

1. DESCRIPTION OF THE WCB SUPERANNUATION PLAN (CONTINUED)

c) Contributions (continued)

Inflation Adjustment Account
Members contribute 1.0% of salaries to the IAA and the employer also contributed 1.0% of salaries to the IAA until December 2000, at which time employer contributions were fully suspended. Employer inflation contributions resumed in August 2001.

d) Pension Benefits

All members with two years of contributory service are eligible for a pension benefit. Members are eligible for unreduced pension benefits:

- at age 65;
- at age 60, with at least 2 years contributory service; or
- at age 55 or older, with age plus years of service equalling 90 or more.

Other retiring members have a reduction formula applied to their pensions.

The basic plan benefit is integrated with the Canada Pension Plan (CPP). As a result, the plan provides an unreduced benefit of 1.3% of pensionable earnings, up to the CPP Year's Maximum Pensionable Earnings (YMPE) and 2% of pensionable earnings over the YMPE, for each year of pensionable service (to a maximum of 35 years).

Pensionable earnings are based on the member's highest five-year average salary (HAS). The plan also provides a bridge benefit with CPP which is payable to age 65 (or the date of death, if earlier). The bridge benefit is 0.7% of the lesser of YMPE or the HAS.

Increases to pension payments may be provided each January 1 in accordance with the indexing provisions of the plan. These increases are based on the annual increase in the Consumer Price Index (CPI) as at the previous September 30, and are subject to availability of funds in the Inflation Adjustment Account (Notes 6 and 7).

At January 1, 2003 retired members received a full CPI increase 2.3% (2002 – 2.6%).

1. DESCRIPTION OF THE WCB SUPERANNUATION PLAN (CONTINUED)

e) Termination and Portability Benefits

A terminating member who is not eligible for a pension benefit may receive a refund of contributions with interest. A terminating member who is eligible but has not yet reached the earliest age at which the member would be eligible to receive an immediate pension is eligible to choose:

- a deferred pension; or
- a transfer of the commuted value of the pension benefit (the minimum value is the members' contributions with interest) to a locked-in registered retirement savings plan or similar tax-sheltered plan.

A terminating member may also choose to leave monies on deposit in anticipation of future entitlements.

Where there are portability arrangements between the plan and other plans, members may be able to transfer certain pension rights.

f) Other Benefits

Disability and survivor benefits are also available under the plan. Supplemental benefits (Note 9) may also be funded from the Supplemental Benefits Account of the pension fund. Under certain circumstances, members may also reinstate or purchase additional service to increase their future pension benefits.

g) Income Taxes

The plan is a Registered Pension Plan (RPP) as defined in the *Income Tax Act* (Canada), except for supplemental benefits (Note 9), which are funded in addition to the RPP by the Worker's Compensation Board. The RPP is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements present the pension plan as a separate financial reporting entity, independent of the plan's contributing employer and members. The Statement of Net Assets Available for Benefits shows the assets under control of the trustees of the plan, and does not purport to show their adequacy to meet the obligations of the plan.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Investments

Investments are stated at market value. Market value is derived from external quotations, appraisals, or independent valuations. Investment purchases and sales are recorded on trade date.

c) Investment Income

Investment income is recorded on the accrual basis.

d) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases of assets during the period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation of investments and the estimate of the actuarial surplus for the Basic Account.

3. INVESTMENTS (Market Value)

	2003			2002
	Basic Account	Inflation Adjustment Account	Total	Total
			($ Thousands)	
Short-term	$ 4,066	$ 3,857	$ 7,923	$ 11,920
Canadian Bonds	144,067	37,727	181,794	182,329
Canadian Equities	107,511	26,174	133,685	161,099
U.S. Equities	38,400	9,157	47,557	62,403
International Equities	56,551	14,382	70,933	96,942
Foreign Currency	81	21	102	-
Mortgages	19,187	4,366	23,553	20,765
Real Estate	52,160	12,396	64,556	58,782
Private Placements	15,888	874	16,762	15,753
	$437,911	$108,954	$546,865	$609,993

3. INVESTMENTS (Market Value) (CONTINUED)

Plan investments consist primarily of direct ownership in units of pooled investment portfolios, managed by the bcIMC. Each unit gives its holder a proportionate share in the net assets of the respective pooled fund. One or more pooled investment portfolios exist for different types of investments, such as short-term investments, Canadian bonds and Canadian equities.

Short-term investments consist primarily of Canadian money market securities, such as treasury bills, with terms of 15 months or less. Canadian bonds consist of government and corporate bonds and debentures. Equities consist primarily of publicly traded shares, and in the case of international equities refer to investments in Europe, Australia and the Far East. The foreign currency pooled fund engages in the buying and selling of foreign currency financial instruments to enhance returns through the active management of currency exposure.

Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of diversified Canadian income-producing properties. Private placements refer to Canadian and international long-term debt or equity investments made outside the structure of public markets (Note 10).

The mortgages are secured by real estate and are valued using current market yields. The real estate is valued quarterly by bcIMC real estate investment managers and, on average, annually by independent external appraisals to establish current market values. Private placements are valued annually.

4. INVESTMENT (LOSS) INCOME

	2003			2002
	Income Allocation	Current Period Change In Market Value	Total	Total
			($ Thousands)	
Basic Account				
Short-term	$ 239	$ (12)	$ 227	$ 420
Canadian Bonds	8,137	5,411	13,548	7,329
Canadian Equities	2,241	(28,327)	(26,086)	9,657
U.S. Equities	841	(14,457)	(13,616)	1,198
International Equities	1,528	(24,339)	(22,811)	(2,359)
Foreign Currency	8	(2)	6	-
Mortgages	1,190	382	1,572	980
Real Estate	2,517	487	3,004	3,669
Private Placements	165	(1,186)	(1,021)	(842)
	$16,866	$(62,043)	$(45,177)	$20,052
Investment Management Costs			(723)	(715)
Net Investment (Loss) Income			$(45,900)	$19,337

	2003			2002
	Income Allocation	Current Period Change In Market Value	Total	Total
			($ Thousands)	
Inflation Adjustment Account				
Short-term	$ 30	$ -	$ 30	$ 136
Canadian Bonds	2,438	2,560	4,998	1,563
Canadian Equities	561	(6,448)	(5,887)	2,090
U.S. Equities	168	(3,542)	(3,374)	236
International Equities	361	(5,816)	(5,455)	(559)
Foreign Currency	2	(1)	1	-
Mortgages	276	90	366	231
Real Estate	575	118	693	821
Private Placements	7	(14)	(7)	(42)
	$4,418	$(13,053)	$(8,635)	$ 4,476
Investment Management Costs			(153)	(151)
Net Investment (Loss) Income			$(8,788)	$ 4,325

Total Basic and Inflation Adjustment Accounts		
Total Investment (Loss) Income	$(53,812)	$24,528
Total Investment Management Costs (Note 8b)	(876)	(866)
Total Net Investment (Loss) Income	$(54,688)	$23,662

4. INVESTMENT (LOSS) INCOME (CONTINUED)

The income allocation portion of investment income represents pooled investment portfolio income attributable to the pension fund, as a unitholder, and as calculated by the bcIMC, as well as interest income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio.

5. CONTRIBUTIONS

	2003				2002
	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Total	Total
				($ Thousands)	
Members' contributions					
Regular	$4,815	$1,631	$ -	$ 6,446	$5,739
Arrears	60	4	-	64	14
Purchase of service	1	-	-	1	-
Leave of absence	133	42	-	175	5
Reinstatement	295	28	-	323	88
	5,304	1,705	-	7,009	5,846
Employer's contributions					
Regular	1,552	1,631	76	3,259	1,130
Arrears	62	4	-	66	15
Purchase of service	2	-	-	2	-
Leave of absence	159	41	-	200	10
	1,775	1,676	76	3,527	1,155
Total Contributions	$7,079	$3,381	$ 76	$10,536	$7,001

Employer regular Basic Account contributions were $1,628 thousand, of which $76 thousand was allocated to the Supplemental Benefits Account.

6. ACCOUNT TRANSFERS

	2003		2002	
	Basic Account	Inflation Adjustment Account	Basic Account	Inflation Adjustment Account
		($ Thousands)		
Present value of current indexing supplements	$2,555	$(2,555)	$ 2,768	$(2,768)
Indexing of deferred pensions	182	(182)	12	(12)
Excess interest	-	-	(2,110)	2,110
	$2,737	$(2,737)	$ 670	$ (670)

6. ACCOUNT TRANSFERS (CONTINUED)

A separate account is maintained for funding current and future indexing supplements. This Inflation Adjustment Account (IAA) is funded through a portion of ongoing contributions from the employer and members (Note 1c), from investment income earned on its own assets, and from excess interest earned in the Basic Account.

All pension payments are made from the Basic Account. Each year, when retired members' pension payments are adjusted for current indexing, monies are transferred from the IAA to the Basic Account to cover the present value of all future payments arising from the current indexing supplements.

When a deferred pension begins to be paid, the present value of the cost of living changes during the deferral period is transferred from the IAA to the Basic Account.

There was no excess interest transfer to the IAA for the year ended March 31, 2003 (2002: $2.1 million). Excess interest is based only on investment income earned on those Basic Account assets required for pensions currently being paid (approximately $118.7 million of assets for 2003, $112.5 million for 2002). The excess interest rate of return is determined by taking the difference between the actual five-year average market rate of return and the rate of return used by the actuary (7%) in valuing the plan's liabilities. The calculated excess interest rate of return for 2003 was -4.8% (2002: 1.6%). This negative return will be carried forward and offset against future excess returns.

7. OBLIGATIONS FOR PENSION BENEFITS

An actuarial valuation is performed at least every three years by an independent actuary and its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the plan.

The Basic Account is the account from which the defined basic benefits of the plan are paid and from which any indexing that has been granted to retired members is also paid. Future indexing benefits are not guaranteed within the plan provisions and are granted to retired members only to the extent that sufficient assets are available from the IAA to fund those benefits. As indexing is granted, the Basic Account receives from the IAA the necessary net present value funding for the granted indexing. Therefore, accrued basic pension benefits, for valuation purposes, include the liability for all indexing granted to the date of the valuation, but not, as yet unknown, future indexing.

7. OBLIGATIONS FOR PENSION BENEFITS (CONTINUED)

The latest actuarial valuation of the Basic Account was made as at March 31, 2000 by Eckler Partners Ltd. At that valuation net assets were $524.1 million (1997 - $305.1 million) and liabilities for accrued benefits were $416.1 million (1997 - $252.3 million), resulting in a net surplus of $108 million (1997 - $52.8 million). The next formal valuation will be as at March 31, 2003 and results are expected to be available in late 2003.

As a result of this valuation, the actuary's calculated level contribution rate for basic pension benefits was 7.84% of employer payroll for salaries above the YMPE.

The present value of liabilities for pension benefits accrued to the valuation date is determined using the projected benefit method prorated on service. Net assets are valued using five-year market value smoothing. Actuarial liabilities and net assets reflect the following long-term actuarial assumptions:

- Annual investment return 7.0%
- Annual salary escalation rate 4.5%

For accounting purposes, an extrapolation on an accrued benefit basis is required to the end of the year. This has been done to March 31, 2003 using the same long term actuarial assumptions as above. On that basis, the extrapolated surplus to March 31, 2003 is $86 million. This calculation allows for the future cost of benefits in excess of *Income Tax Act* (Canada) limits, which are about $1 million.

However, extrapolations may not be reliable indicators of the next valuation results nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings and the incidence of retirements, withdrawals, etc. may vary significantly from the long-term assumptions used in the extrapolation.

No unfunded liability exists for the Inflation Adjustment Account, since the obligation for future indexing benefits is limited to the amount of the available assets in the account.

8. RELATED PARTY TRANSACTIONS

a) Administration Costs

Administration costs include general benefit administration costs incurred by the Pension Corporation, actuarial fees, and other pension plan expenses as approved by the trustees. General administration costs incurred by the Pension Corporation are prorated and charged to each pension plan under its administration based primarily on the relative numbers of members in each plan. Included in benefit administration is $263,000 (2002 - $244,000) of Pension Corporation benefit administration costs.

b) Investment Management Costs

The bcIMC manages investments on behalf of the trustees and uses internal and external managers for this purpose. Total investment management fees for the current year were $875,830 (2002 – $865,977).

c) Other

Separate from the plan, the WCB pays directly for the medical plan and extended health care premiums for retired members and their dependents. For the year ended March 31, 2003 this amounted to $859,178 (2002 - $594,145).

9. SUPPLEMENTAL BENEFITS ACCOUNT

The Supplemental Benefits Account is the account through which certain supplemental benefits are funded. For example, pension benefits which exceed *Income Tax Act* (Canada) limits for registered pension plans are paid through this account.

10. COMMITMENTS

The plan participates in the Private Placements pools managed by bcIMC. These pools consist primarily of investments in limited partnerships.

As at March 31, 2003, the plan's share of commitments (over the next several years) for future investment in these pools is approximately $7.2 million (2002 - $10.3 million).

11. FINANCIAL INSTRUMENTS

The Plan's financial instruments consist of cash, investments, receivables, accounts payable, and accrued expenses. The fair values of these financial instruments approximate their carrying values.

The Plan's investments are exposed to market risk due to changing market conditions. The Plan manages market risk by monitoring asset allocation strategies in relation to asset mix guidelines and by diversifying investments within various asset classes to manage overall market risk.

This publication is produced by the Pension Corporation on behalf
of the Workers' Compensation Board Superannuation Plan.
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PRINTED ON RECYCLED PAPER, PLEASE RECYCLE

98-107 2003.11.05 QPR101115